

## The EU-Russia partnership: a new context

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### Abstract

*The EU–Russia summit that took place on June 4 in St Petersburg met expectations for two reasons. Firstly, expectations prior to the summit were low: nobody was under any illusion that the summit would result in a radical breakthrough. Secondly, the biannual EU–Russia summits tend to produce symbolic rather than practical outcomes.*

*This article was originally published in English by FRIDE in July 2012  
<http://www.fride.org/publication/1038/the-eu-russia-partnership:-a-new-context>*

### The June EU-Russia summit: no surprises

The first EU–Russia summit since Vladimir Putin's return to the Russian presidency was supposed to display harmony between the two sides, rather than exposing their differences. The official message from the summit states that the relationship between Moscow and Brussels is strong, with the potential for even greater improvement in the future. The EU acted wisely by initiating a dialogue with the newly-elected Russian president. Brussels clearly recognises Russia's importance as a strategic partner, and wants to build on the 'significant progress on a number of issues' that the EU–Russia relationship has made in recent years. The same can be said of Putin himself, who confirmed the strategic nature of Russia–EU relations, stating that the EU's importance to Russia was second only to the Eurasian Union. Putin and his guests from Brussels gave controversial issues a wide berth: the situation in Syria was only mentioned briefly, with both sides verbally rejecting the use of force. There was no talk of the controversial Ballistic Missile Defence system planned for Europe or of Rus-

sia's ban on EU meat. The ballot fraud at Russia's recent presidential and parliamentary elections was also off the agenda. However, the summit did touch on issues which have been hampering efforts to forge a new broad-based cooperation agreement after four years of talks, including energy supplies, trade and market access, a visa-free travel regime and human rights. None of these differences was solved at the summit. Its main achievement was to demonstrate the readiness of both sides to continue the EU-Russia dialogue – however difficult it may be.

With Putin's return to presidency, political analysts both in Russia and abroad are trying to predict whether there will be fundamental changes or continuity in Russia's foreign policy. Generally speaking, radical foreign policy changes in a given country occur only as a result of radical external or internal changes (such as the collapse of the USSR). With a routine leadership change, it is usually new overtones and emphases that define a new foreign policy course. Although many experts say that the 'new' Putin won't be any different from the 'old' one, complete continuity is impossible since he has come to power in a markedly different domestic and foreign policy situation.

## The new context of EU-Russia relations

Both Russia and Europe are experiencing important political, economic and social transformations with strong implications for their relationship. In the wake of the 2008 financial crisis, it dawned on the Russian population that having a modern economy meant being part of the modern world which in Russia's case largely comprises the EU (as its main trading partner), the US, Japan and South Korea. The realignment of Russia's relations with the US, the EU, Norway and Ukraine was a reflection of this new understanding. President Dmitry Medvedev launched the strategy under the title 'Partnership for Modernisation', which was then endorsed by a joint Russia-EU declaration. The imperative to modernise was creating a new model for Russian relations with the European Union and the West at large, although from the outset there was no consensus among the Russian political elite on what exactly modernization entailed.

As Putin returns to presidency he faces a very different Europe. The ongoing eurozone crisis has already resulted in damage to the EU's reputation as a model of both competent economic policy management and successful regional integration and multilateral cooperation. As a result of the crisis and intense competition from emerging powers, the EU's values-based foreign policy is being replaced by economisation, re-nationalisation and bilateralisation. EU member states are competing for economic deals with Russia and China. In short, the crisis has dealt a heavy blow to the attractiveness of the EU soft power model for third countries – including Russia.

It is not just Europe that has changed, however: Putin is also confronted with a new Russia. In 2000 he was required to reinstate stability after years of chaos and humiliation. Now the situation is different. Although nobody doubted in Putin's electoral victory, there was strong opposition to his return. Protests have been triggered by the September decision of the duumvirate of Putin and Medvedev to swap seats and the electoral fraud in December. Nonetheless, they should be viewed in the broader context of Russia's post-Communist evolution, which has entered a new phase. The collapse of the USSR resulted in market economy reforms (with admittedly mixed results), but no steps were taken to create a solid foundation for Russia's political democratisation. In 2012, a proportion of the Russian population does not want just stability, but also seeks democratic political reforms. The existing politico-economic sys-

tem can no longer adequately address growing social demands. The system must change if Russia is to develop further. Without political reform this will not be possible and popular protests will persist.

When he came to power in 2000, Putin hoped to improve Russia's global prestige not on the basis of unilateral concessions as Yeltsin had, but on an equal footing with other key powers. His expectations were disappointed by the West after 9/11. Russia has yet to find its proper place in post-bipolar Europe, partly due to its own mistakes but largely because of the short-sighted policies of its Western partners. Now Putin has no illusions about the integration of Russia with the West. He wants Russia to remain a sovereign centre of power, with its area of primary influence based on the Eurasian Union (virtual though it is for the time being). At the St Petersburg summit, Putin stated that the Eurasian Union would play an increasingly important role on the global stage, adding that the EU would have to deal with the Eurasian Union's commission along with Moscow. The Eurasian Union is undoubtedly an important new dimension of Russia's foreign policy.

The focus on Russia's Eurasian vocation comes at a time of uncertainty concerning the country's prospects for modernisation. In all likelihood, Putin feels that Russia should no longer solicit modernisation guidance from the weakened EU. From his point of view, Europeans are in no position to lecture other countries on good governance and democracy. According to Putin, now is the time to devise an efficient mechanism for upgrading the national economy by launching a New Industrialisation plan based on sophisticated technologies. It is not yet apparent how this will be synchronised with the Partnership for Modernisation nor where Russia could obtain the advertised 'sophisticated technologies' for its re-industrialisation. Is 'New Industrialisation' simply a catchy term for modernisation without the democratisation issues? As former Russian Prime Minister Yevgeny Primakov explained, a modernisation strategy doesn't imply mere adoption of western countries' achievements. Russia is not yet ready to become a post-industrial society, renouncing industrial production in favour of science and services. Instead of leaping straight into a post-industrial state, Russia must follow the 're-industrialisation' strategy that Putin is offering. Primakov stressed that Russia should adopt not only western technological and scientific achievements, but also the breakthroughs and positive trends of Soviet science that have been unjustly forgotten.

## Russia's domestic discourse on the Euro crisis

Russia's domestic debate over the EU crisis is key to understanding the future of EU–Russia relations. There is an ideological divide within Russia's academic and political community between 'Modernisers' and 'Eurasianists'. The latter say that the current EU crisis is the best evidence of the movement of the centre of economic activity to Asia, and that the Western model of sustainable economic development has already exhausted its resources. Therefore Russia should follow its own path, based around the Eurasian Union. The idea is not new. Russia has been debating its national identity for the past 200 years; embroiled in endless arguments over whether Russians are Europeans or Eurasians. The doctrine of 'Eurasianism' places geographical location above the basic principles of a country's socio-economic and political development. The Eurasian camp consists of three political forces: Communists, Nationalists and Conservatives (including neo-cons and mere opportunists). Communists support a Russian union with China and the so-called Chinese model for Russia's transformation. Nationalists are opposed to this union as they believe that China would be the dominant partner. They want Russia to be a sovereign Eurasian centre of power and reap all the benefits of this position. Conservatives fear the demise of the EU and the collapse of the eurozone, as they have many business interests in EU countries and 40 per cent of Russia's foreign reserves are in euro. However, they are firmly against Russia's European vocation, which presents a threat to the existing system. They want to keep European powers divided and extract benefits from bilateral relations.

Modernisers are against Russia's Eurasian vocation, maintaining that it would not work anyway. Integration between authoritarian states is not possible, as such regimes would not concede their sovereignty. For them, the Chinese model is not an option for Russia, because it revolves around the transition from an agricultural society to an industrial state. The USSR missed this opportunity in the late 1920s.

The Modernisers' camp is also split into pro-US and pro-EU factions. The former – most vividly represented by /free market economists close to Jeffrey Sachs – attributes the euro crisis to the social and economic model of EU countries, which would be too 'socialist' for the globalised economy. Such a view prioritises economic models and neglects the political aspects of European integration. The pro-EU community is not blind to the depth of the euro crisis, and recognises that it is systemic. The most compelling indications of the ongoing crisis include the growing mistrust between Brussels and ordinary EU citizens, an increasing divide between northern

and southern EU countries, and the rising tide of nationalism, the challenges to the multicultural project in Germany, France and the UK, and xenophobia and populism in EU member states. In this context, the fundamental issue is not simply whether the Eurozone survives, but whether the core concepts of the European integration will remain viable. However, they believe that the EU will come out of this crisis stronger and reinstate its position.

Economists from both camps recognise that the euro crisis could affect Russia in many ways. A decline in prices for oil and metal exports will hit the Russian economy hard. If the crisis continues, investors will start to sell not only European financial assets, but risk-prone assets from all over the world – including Russia. A further escalation of the euro crisis may trigger external shocks, which will affect the activity of Russian credit organisations.

## Conclusion

EU-Russia relations are losing their sense of purpose. Both sides are confronted with serious problems; the question is whether their cooperation can advance in this context. Despite their considerable domestic challenges, the medium-term goals of both Russian and EU foreign policies are the same: predominance of pragmatic economic interests over political or ideological differences, emphasis on bilateral relations and status-(re)building. The guiding principles of Russia's foreign policy under Putin's will be *quid pro quo*, linking Russian political and military concessions to Western economic concessions. If President Putin clearly understands what Russia can gain from a particular deal, he will be a reliable

partner. Piecemeal cooperation will not put EU–Russia relations on a new footing. A future paradigm shift would be contingent on the EU surviving the crisis, proving the viability of its model and defining a clear strategy vis-à-vis Russia, based on a careful balance between its values and realistic objectives.

However, the EU has a trump card up its sleeve – the visa-free regime. Achieving that would be a diplomatic coup for Putin, raising his popularity among the Russian middle class. The critical importance of this issue is generally misunderstood in the West. For centuries, contacts with the West were limited to Russian aristocracy and then to Soviet *nomenklatura*. After the collapse of the USSR in 1991, the physical barrier from the East was removed but replaced by the visa 'barrier' from the West. If a visa-free regime is granted, it will not be a concession to Putin, but rather an important factor to strengthen people-to-people contacts, to provide a basis for a new partnership and to enhance Russian self-identification as a European nation.